

# FISCAL NOTE

**Bill #:** HB0111

**Title:** Per-educator entitlement

**Primary Sponsor:** Branae, G

**Status:** As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$12,957,000	\$12,957,000
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	(\$12,957,000)	(\$12,957,000)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget         | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached          | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. HB 111 allocates a payment of \$1,000 per certified FTE and other professionals including: nurses, physical therapists, speech language professionals, counselors, occupational therapists, and nutritionists to each school district, special education cooperatives, the Montana School for the Deaf and Blind, and schools run by the Department of Corrections.
2. For the FY 2004 school year, school districts have reported a total of 12,474 FTE, assigned to positions requiring certification or licensure. No annual tracking of nutritionist FTE is available at the Office of Public Instruction. It is estimated that ten nutritionists are currently working in school districts. The total FTE that qualify for the entitlement in FY 2006 is estimated to be 12,484.
3. The district will qualify for per-educator entitlement based on all qualified employees of the district regardless of the fund from which the employee was paid. Positions in a school district that are funded with federal revenue, food service fees (nutritionists) and other funds will qualify a district to receive this entitlement, which will be deposited in the district general fund.
4. HB 111 is effective for the 2005 - 2006 school year or FY 2006.
5. Schools spend this additional revenue increasing the salaries and medical benefits of teachers and other school professionals and charge the retirement costs associated with this additional compensation to the retirement fund.
6. Of the total increase, districts will spend 90 percent of the increased amount for salaries. Retirement benefits are 15.5 percent of salary. The total retirement cost is then \$12.48 million times 90 percent times 15.5 percent equals \$1,750,000, which will be charged to the retirement fund.

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(continued)

7. Under current law, the state and the county share the funding of the retirement amount. The state guarantee ratio for counties varies from zero percent to 56 percent depending on the taxable value of the county relative to its number of students. The average marginal state share of new retirement expenses is 27 percent. Twenty-seven percent of the new expense is \$473,000.
8. The appropriation contained in the bill is \$12.1 million.
9. Montana School for the Deaf and Blind (MSDB) has 39 FTE, Pine Hills and Riverside Youth Correctional Facilities of the Department of Corrections had 20 FTE that will qualify for this entitlement.
10. The Office of Public Instruction will transfer state general fund appropriation authority as follows: to Montana School for the Deaf and Blind (MSDB) \$39,000 (39 times \$1,000) and the to Department of Corrections \$20,000 (20 times \$1,000). There will be no separate appropriation from the Legislature to MSDB or the Department of Corrections. Expenditures at MSDB and the Department of Corrections will increase by these amounts; the Legislature will not set policy as to where this additional revenue will be spent.

### FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Transfers – OPI to MSDB and Dept. of Corrections	\$59,000	\$59,000
Local Assistance – Districts	12,425,000	12,425,000
Local Assistance - Counties	<u>473,000</u>	<u>473,000</u>
TOTAL	\$12,957,000	\$12,957,000
<u>Funding of Expenditures:</u>		
General Fund (01)	\$12,957,000	\$12,957,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$12,957,000)	(\$12,957,000)

### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The county retirement levy will increase in response to the \$1.28 million increased retirement cost of this proposal. The county levies will increase by 73 percent of the increased costs or \$1.28 million.

### TECHNICAL NOTES:

1. The cost of this bill is approximately \$0.9 million more than the appropriation contained in the bill. If the appropriation contained in this bill is not increased, the Office of Public Instruction would request a supplemental appropriation of the 2007 legislative session of approximately \$0.9 million to cover the expenses in excess of the appropriation.
2. All the sources of funding in schools are not equalized. Districts with a high level of federal funds or have general fund expenditures above the equalized range may have more educators as defined by the bill than districts that are spending in the equalized range of the general fund and have an average or less than average amount of federal funding. This will give the districts with higher spending in non-equalized funds more per educator entitlement than other districts. This will lead to less equalization in the district general fund budgets.
3. Schools could be under reporting licensed professional staff that are not required for accreditation or special education reporting purposes. If schools are under reporting, the costs in this fiscal note are understated.